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SUBJECT: PRICES RISE IN MALI: BAD, BUT NOT YET CRITICAL

¶1. SUMMARY: Urban consumers are becoming increasingly concerned as prices of basic commodities skyrocket in Bamako while the government attempts to implement measures to reduce pressure on the cost of living. An informal survey in the local markets gives a picture of the extent of the price hikes demonstrating the pressure put on urban consumers in a country where most subsist on less than a dollar a day. Despite interventions on the part of the government, including a modest salary raise, lifting import taxes on certain goods, and creating a new National Price Council, labor unions and consumer advocacy groups warned of the potential for civil unrest if further measures are not taken.
END SUMMARY.

PRICE SURVEY

¶2. During the past year, prices of major consumer staples have increased from 20 - 50 percent. While the hike in most prices is due to increased prices worldwide, Mali's 2007-2008 agricultural production season, which has not met local demand, has also played a role. The overall food stock picture is good, but with local production not meeting local demand for certain products, and the rise in the price of production factor, overall prices have risen with the impact being passed on to consumers. The following approximate prices illustrate the extent of the increases over the past year.

-- Rice:	.67 USD to	.84 USD / kg
-- Millet:	.43 USD to	.60 USD / kg
-- Beef:	2.89 USD to	3.86 USD / kg
-- Cooking oil:	1.45 USD to	2.17 USD / liter
-- Powdered milk:	3.14 USD to	4.59 USD / kg
-- Sugar:	35.00 USD to	45.00 USD / 50kg bag
-- Bread:	.60 USD to	.72 USD / baguette (on top of a reduction in size)
-- Charcoal:	8.45 USD to	16.90 USD / 100kg bag
-- Cement:	266.00 USD to	362.00 USD / ton
-- Laundry:	.48 USD to	.72 USD / three-piece "ample" boubou

LOCAL GROUPS PROTEST

¶3. Both the major umbrella labor union (UNTM) and the Association for the Defense of Consumers' Rights (REDECOMA) had made public statements as early as July 2007 on the deteriorating economic situation, requesting that the government take immediate action so that even the poorest Malians could afford basic necessities. At that time, the GOM made several initiatives to help remedy the situation, including raising salaries 5 percent, freezing taxes levied on certain imported goods, and setting up a think tank to address the issue of inflation. Despite these measures, UNTM Secretary General Siaka Diakite complained that tax breaks

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and customs duty exonerations only benefited major importers (and their civil service "accomplices") who did not pass the savings on to the consumers in the form of lower prices. Diakite warned the GOM during a press conference at the end of March that if swift and effective measures were not taken immediately, he "could not guarantee that Malians would not riot violently" as experienced in neighboring countries. (Note: Occasional protests to date have all been prearranged, small-scale, and peaceful, and violence is unlikely at this time. End note.) Following Diakite's outburst and increasing criticism from several opposition parties, the GOM invited UNTM for a meeting on April 2 to assuage union leaders' fears.

14. The consumers' advocacy group has also complained about the lack of consistency in the GOM's policy, noting that a) while the 2007-2008 rice production was insufficient for local demand, high quality Malian rice was exported to neighboring countries, reducing the quantities available on the market and pushing prices upward; b) rice producers did not have a healthy production yield due to ineffective management of water resources by the Niger River Valley Authority; and c) despite the abundance of livestock, the price of beef is increasing due to the lack of a sound meat industry policy.

GOM ACTIONS

15. The Prime Minister has called for a (perhaps overly) ambitious 50 percent increase in rice production next year to allow Mali to become a net exporter in that area. While arguably difficult to realize, increasing productivity is a sound policy response. Some measures, such as applying fertilizer to each plant rather than covering the whole

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field, and improved water usage, hold promise, but require an active farm extension service to train farmers; such technical outreach and assistance is currently beyond Malian capacity.

16. The GOM has lifted the 28% import duty on imported rice for the period of April 1 to September 30, 2008. This measure offers the exoneration benefits to all interested importers as opposed to a previous initiative which only benefited the largest importers. Additionally, the Director of Trade has imposed a ceiling on the price of the lowest quality of rice, capping it at 0.75 USD/kg. Premium rice will not benefit from import duty exonerations or have a ceiling set on its price.

17. The GOM recently created a new inter-Ministerial Council on Prices charged with the tasks of evaluating prices, proposing measures to control prices, and presenting the GOM an annual report on prices, inflation and the cost of living.

18. Another announcement coinciding with the uproar over escalating prices was the replacement of the Minister of Economy, Industry and Commerce Mrs. Ba Fatoumata Nene Sy with one of her economic advisors, Mr. Ahmadou Abdoulaye Diallo. While some accounts attribute her departure as a political casualty caused by the rising cost of living, most indicate it was for general incompetence; she had very poor communication skills, and seemed completely lost managing a ministry.

19. COMMENT: It is clear that Mali is suffering from the world-wide increase in prices exacerbated by its dependence on many imported goods, but violent protests are not likely for the moment. Mali's recent focus reflected in the Prime Minister's plan to increase production is a sound response. The biggest pressure on food security is in the north, where local production is insufficient to meet demand and Malian

sellers find it easier to meet orders from neighboring, and food-strapped, Mauritania and Niger than sell to northern Malian consumers. In addition, donors have made numerous recommendations to Malian policy makers on medium and long term solutions, including leveraging domestic resources by processing meat locally instead of exporting live animals, or processing milk locally rather than importing it from a global market hit by skyrocketing prices. Assistance agencies, including USAID, are also encouraging the GOM to focus on revenue generating crops, promote improved technologies and further improve access to all inputs to better increase domestic production. In the short term, it seems the GOM is doing just enough to keep consumer unrest at bay.

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